



Evaluation of the Department of Human Services data matching programs

- 11011 Dependant Spouse Tax Offset
- 12015 Dependant Spouse Tax Offset
- 14015 Medicare Levy Exemption
- 14003 Carer Allowance
- 16002 Department of Human Services specified benefits and entitlements

Executive Summary

Overview

This is an evaluation of the Department of Human Services (DHS) specified benefits and entitlements data matching. The specified benefits and entitlements data matching encompasses five data matching program protocols evolving through different iterations of legislative change and compliance strategies over a six year period spanning financial years 2009-10 to 2015-16.

These programs were developed to assess and address the taxation compliance of individuals receiving the following government benefits or exemptions:

- Family tax benefit - part B
- Paid parental leave
- Carer allowance and carer allowance health care card
- Medicare entitlement statements

Legislative changes from the 2012-13 financial year resulted in a number of dependent offsets being abolished and replaced by a single invalid and invalid carer tax offset. To qualify for this particular offset a dependant of a taxpayer needs to be in receipt of specified invalid, disability or carer payments and allowances paid by the Department of Human Services.

The specified benefits and entitlements data is compared with claims made in individual income tax returns for the invalid and invalid carer tax offset and for exemptions from paying the Medicare levy and surcharge.

The ATO compares the data acquired from the Department of Human Services against claims in income tax returns as follows:

- Invalid and invalid carer tax offset may be:
 - Reduced for any period the claimant received paid parental leave or Family Tax Benefit Part B
 - Disallowed where the claimant and their spouses adjusted taxable income (including any amounts of Carer Allowance received) exceeds the threshold (\$150,000)

- Disallowed where the person being cared for is not in receipt of eligible invalidity support payments (Carer Allowance Health Care Card).
- In certain circumstances taxpayers may be exempt from paying the Medicare levy where they are not entitled to receive Medicare benefits for a part or whole financial year. Claims for exemption from payment of the Medicare levy and MLS may be disallowed where:
 - They declare they are not entitled to receive Medicare benefits but do not hold a valid Medicare entitlement statement
 - There is a discrepancy between the number of days they claim they are not entitled to receive Medicare benefits and what is included in the Medicare entitlement statement.

1. Has the data matching program achieved its objectives?

The ATO utilises the Medicare Entitlement Statement data received from DHS to undertake targeted treatments for clients claiming the Medicare Levy Exception.

The objectives of the programs have been to:

- Ensure that taxpayers are correctly claiming:
 - entitlement to the invalid and invalid carer tax offset (note 2017/18 – no longer considered an omitted income risk), and
 - exemption from payment of the Medicare levy and Medicare care levy surcharge
- Design and implement a range of specific strategies including, education, prompts and nudge messaging, aimed at supporting taxpayers and intermediaries to willingly participate and engage in the tax system
- Undertake data matching verification activities where the information obtained indicates a taxpayer may not be entitled to claim the offset or exemption, either partly or in its entirety
- Undertake targeted audit action for those taxpayers incorrectly assessing their eligibility for exemption from paying the Medicare levy
- Continue to build understanding of identified risks and behavioural drivers of non-compliance
- Expedite the processing of income tax returns and payment of refunds to taxpayers who are genuinely entitled to claim these offsets and exemptions
- Ensure compliance with registration, lodgment, correct reporting and payment of taxation and superannuation obligations using sources including DHS and other supplied legislative data

Outcomes

The Individuals Business Line accessed and used the data to undertake matching activities in relation to government payments; offsets and exemptions in income tax returns.

More broadly, the data has been used to inform and support compliance activities that range from case selection, and audit work. The compliance activities undertaken are targeted in nature and focus on taxpayers that have either omitted income or incorrectly claimed an exception from paying the Medicare Levy. The data has also been utilised to develop taxpayer and intermediary education strategies to support them to positively engage with the tax system and meet their obligation.

This has resulted in:

- Well designed and tailored interactions that have improved the client experience by making it easier for taxpayers to get things right and harder not too.
- Overt and transparent processes that builds and maintains community confidence in the tax and super systems.

- Aided the development of mitigation strategies to address individual risks (including real time adjustments for TaxTime 2017/2018).
- Optimised our collection, storage and use of data.

Since the tightening of the eligibility rules, our data matching program combined with targeted education strategies have seen a reduction in discrepant claims for the invalid and invalid carer tax offset.

Correct reporting of Family Tax Benefit Part B and the Carer's Allowance reduced the risk to the point where the data is no longer collected.

Our data matching activities on Medicare exemption claims allow us to validate the majority of claims without needing to contact the taxpayer and reducing the number of claims being reviewed, providing an improved experience for the taxpayer.

Outcomes over the last five years:

Year	Activity	Cases Actioned	Revenue
2013/14	Medicare Levy Exception	40,274	\$16,460,960
	OTHER – Dependant/Spouse/Carer Offset	52,425	\$95,527,393
2014/15	Medicare Levy Exception	28,659	\$13,401,272
	OTHER – Dependant/Spouse/Carer Offset	11,762	\$11,745,796
2015/16	Medicare Levy Exception	13,522	\$10,487,857
	OTHER – Dependant/Spouse/Carer Offset	10,663	\$11,714,529
2016/17	Medicare Levy Exception	11,248	\$11,046,745
	OTHER – Dependant/Spouse/Carer Offset	710	\$1,211,730
2017/18	Medicare Levy Exception	10,253	\$11,356,407
	OTHER – Dependant/Spouse/Carer Offset	714	\$1,538,747

Note: The decrease in the size of the cases actioned is reflective of the impacts of legislative change, streamlining of business processes and improvements made to the client experience such as: increased client education and increased and improved pre-fill data etc.

2. Has the data matching program complied with the program protocol?

Our review of the activities to which the DHS data has been applied, aligns with each of the objectives as outlined in the protocol documents.

Notices for each protocol were published in the Federal Register of Legislation Government Notices Gazette. The data matching programs were also published on our website at [Data matching protocols](#). DHS and ATO also include in their respective privacy notices that that personal information from DHS is disclosed to ATO for data matching purposes. These processes provide the public with notice and information on our data matching program as it relates to these government benefits and exemptions.

We also noted with the Office of the Australian Information Commissioner (OAIC), the 2013-14 year for the Family Tax Benefit Part B and the Paid parental Leave data collection is not overtly detailed in a protocol, however all subsequent protocols include that it is a continuation of the previous program and would naturally expect data collection to have continued unchanged unless detailed otherwise.

As detailed in the protocols we have destroyed information that is no longer required in accordance with the requirements of Guideline 7 and General Disposal Authority 24 – Records Relating to Data Matching Exercises. Our assurance processes confirm this obligation.

3. Have the privacy and data quality safeguards in the data matching program been effective?

The security and privacy controls have been and continue to be effective. Data in relation to this program was collected, handled and stored in line with relevant government guidelines and ATO policy.

Data is securely transferred between DHS and the ATO using our secure online data transfer facility.

Data is then stored in our secure data Warehouse with controlled access and audit trails. Users of the data can be identified through system audits and logs.

The data was assessed after receipt and an evaluation was made of its quality before proceeding to identity matching processes.

No privacy breaches in relation to the government benefits and exemption program have been detected during the period covered by this evaluation.

We are conscious not to obtain data because it has been historically collected. The data requirements are reviewed regularly to determine the relevance and necessity for our data matching programs ensuring we are only collecting what information is necessary for taxation administration.

4. Are the reasons for conducting the data matching program still valid?

The reasons for this data matching program remain valid and the use of the data within the organisation for compliance activities, supported by results achieved, highlight the importance and value this data brings to meeting the program objectives.

What went/is going well?

- A long term positive relationship with DHS continues for future collection of this data.

- The program has been highly effective in the risk assessment and case selection of individuals who omit government benefits income from their tax returns; as well as incorrectly claiming exemption from the Medicare Levy.
- The program has been effective in broadly promoting the ATO's data matching activities
- The data matching program is an effective compliance tool.

What could be improved?

- The data received from DHS is of a high quality and for TaxTime 2017/18 adjustments are being made before notice of assessments are issued where taxpayers have lodged their Income Tax Returns using income data which differs from DHS data.

Are any changes or amendments to the data matching program required?

- With changes to legislation and tightening of eligibility rules; as well as our education activities the risk relating to obtaining Carer's Allowance and Family Tax Benefit B have reduced considerably. As a result, for future data matching protocols, we will only be obtaining Paid Parental Leave and Medicare Entitlement Statement data.

Recommendations

This evaluation supports the continued collection of Paid Parental Leave and Medicare Entitlement Statement data up to 30 June 2020.

The data acquired will be an asset for compliance purposes to support the detection of omitted income; and incorrectly claimed exemption from the Medicare Levy. Likewise the data is invaluable to avoid unnecessary contact from us and expedite the processing of income tax returns and payment of refunds to taxpayers who are genuinely entitled to claim these offsets and exemptions.

The continued program has been defined in the latest protocol - [Department of Human Services Specified Benefits and Entitlements 2017–18 to 2019–20 financial years](#).

Attachment A

1. Revised statement of cost benefit analysis

Costs

There will continue to be some incidental costs to the ATO in the ongoing administration of this data matching program but these are more than offset by the compliance outcomes achieved:

- Obtaining; storing; and destroying the data
- Data Analyst resources to wrangle data and identify potential instances of non-compliance
- Compliance resources to manage casework and educational activities
- Governance resources to ensure the Guidelines and Privacy Act are complied with and quality assurance work to ensure the rigour of the work undertaken by analysts and compliance staff.

Benefits

The main benefits of conducting the data matching program include:-

- Integrity of the taxation system – there are inherent risks in taxpayers not complying with their obligations. This program will allow the ATO improve the client experience by making it easier for taxpayers to get things right and harder not too.
- Reduce risks to taxation revenue and the public health system by identifying individuals that are omitting this income; or incorrectly claiming exemption.
- Maintaining community confidence in both the taxation and superannuation systems by creating a level playing field; and also maintaining community confidence in ATO's capacity to fairly administer those systems.

Data Usage and Value

Adam Kendrick
Assistant Commissioner
Strategy and Tax Agent Assurance

Data Management

Nadine McBain
Assistant Commissioner
Smarter Data



Special Purpose Acquisition Data (SPAD) Data Matching Program Annual Outcome Report

Data Matching Program Annual Outcome Report

Outcomes for Financial year: **2017-18**

Program Name:	Online Selling
Data Matching Project Manager:	Tony Goding
Contact Extension:	38448
Business Line:	Small Business
SES Sponsor:	Justin Micale
Client Account Manager (CAM)	Nicky Hewett

Program Objectives (listed in the data matching program):

- Promote voluntary compliance with taxation obligations and increase awareness in the community of the ways we use data matching to address non-compliance, by publishing this program protocol.
- Assist in building intelligence about businesses including broader risk, trend and strategic analysis.
- Ensure compliance with registration, lodgment, correct reporting and payment of taxation obligations.

Has the data use achieved the data program objectives?

Yes

No

How is the data used :

- detect unreported income through discrepancy matching
- identify those operating a business but failing to meet their registration, lodgment or payment obligations
- gain insights that may help to develop and implement treatment strategies to improve voluntary compliance; which may include educational or compliance activities as appropriate
- obtain intelligence to increase our understanding of the behaviours and compliance profiles of individuals and businesses that sell goods or services via online selling sites, and
- support analytical models to detect high risk activity and cases for administrative action.

Program outcomes (measurable):

Cases and/or revenue generated in the financial year from the compliance activities utilising the data

- As the data is a component of a data model that calculate total liabilities, it is not possible to provide distinct results

[Special Purpose Acquisition Data Steward Team](#)

[The Data Matching - Special Purpose Acquisition Data Guideline \(CEI 2014/01/08\)](#) outlines the ATO's approach to special purpose acquisition data for data matching.

[The Data Asset Register \(DAR\)](#) shows all third party data exchanges (ensure the data you need is not already available)



Special Purpose Acquisition Data (SPAD) Data Matching Program Annual Outcome Report

Program outcomes (non-revenue results):

Client experience improvements, non-lodgment improvements, decline in cases due to improved compliance, identification of related risks etc

- The inclusion of this data in our models has provided more visibility of on-line selling. Additionally it has also enabled to more accurately predict a client's tax position and requirement to lodge a return/activity statement.

Drivers (priority and value)

Are the reasons for acquiring the data still valid?

The acquisition of this data is still valid/required as:

- maintaining community confidence in the taxation system by creating a level playing field, as well as maintaining community confidence in the ATO's capacity to fairly administer the system
- integrity of the taxation system – there are inherent risks in taxpayers not complying with their obligations, including those that deliberately abuse the taxation system – this program will assist the ATO in detecting, dealing with and deterring those that are not meeting their obligations
- enabling enforcement activity and recovery of taxation revenue – without undertaking this data matching program and subsequent compliance activity there are no assurances that a wider risk to revenue does not exist.

Are there any changes or amendments to the data matching program required?

- The program will need to be expanded to take in a broader range of online selling platforms

Endorsed by EL2 Data Matching Project manager:	Tony Goding		
Is a data still required to support your business outcomes	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	
Recommendation and any other comments or changes for the proposed data matching activity			
Click here to enter text.			

[Special Purpose Acquisition Data Steward Team](#)

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